Addressing Farmer's demands

What is the issue?

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Farmers from different parts of India recently marched to Delhi to register their protest against the government's neglect of farmers' demands.

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What are their demands?

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- They were basically demanding three things -
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1. Debate in Parliament to discuss farm distress
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2. One-time loan waiver
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3. Raising MSPs to 50% above comprehensive cost (Cost C2) of production and making it legally binding on private traders
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- The first demand for a debate in the Parliament is easy and it would help in understanding the real causes of farm distress, and the policies which could best help to tackle it.
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Has loan waiver benefitted farmers so far?

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- The second demand of a one-time loan waiver will not solve the problems of

farmers altogether, yet this demand is also likely to be met basically for votes.
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- From April 2017 to July 2018, several states (Tamil Nadu, Uttar Pradesh, Maharashtra, Punjab, Rajasthan, Karnataka and Andhra Pradesh) have announced loan waivers that together amount to Rs 1,82,802 crore.
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- However, it is interesting to note that of the states that have already announced loan waivers, only a few budgeted them while many others remained mere on paper.
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- For example, Punjab announced a loan waiver of Rs 10,000 crore, but so far has budgeted less than Rs 600 crore.
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- Further, it may be noted that it is the better ones in the peasantry which will benefit the most from this move.
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- This has made the small and marginal farmers to depend more on the money lenders, where the interest rates range from 24% to 48%.
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- Hence, there is a need for financial inclusion of these small and marginal farmers in institutional credit at reasonable interest rates and not outright loan waivers.
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- Also, these loan waivers will hit public investments in agriculture adversely and may even worsen farm distress in due course.
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What is the case with minimum support price?

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- The third demand, of setting higher MSPs and making them legally binding, is equally dangerous of loan waivers.
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- Farmers are pushing for the implementation of the Swaminathan formula by giving a 50% margin over C2, instead of the current reference cost of

A2+FL, which is about 38% lower than C2.
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- Also, an MSP formula based on just cost, be it A2+FL or C2, ignoring the demand side from the consumers is patently inefficient.
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- Even in the current situation, the market prices are way below the MSPs announced in this kharif season.
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- These are prices in the districts with the highest arrivals in the largest producing states.
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- Thus, making MSP legally binding for traders will turn out to be anti-farmer as private trade will exit for fear of being jailed, and market prices will collapse even further.
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What needs to be done?

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- India needs large reforms in its agri-markets, from reforming APMC markets to abolishing the Essential Commodities Act and rolling back all export restrictions.
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- It should also encourage contract farming, allow private agri-markets in competition with APMC markets and should cap commissions and fees to not more than 2% for any commodity at any place in India.
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- To avoid lower prices due to surplus production, measures like opening futures trading in agriculture, negotiable warehouse receipt system, e-NAM with due system of assaying, grading, delivery and dispute settlement mechanisms would help.
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- Also, alternatives to MSP in the form of PM-AASHA scheme was made by the government and has to be emulated by every states.
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- These measures would be followed by building efficient value chains,

especially of perishables, through the PPP mode, thus creating employment to a larger extent.
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- So, until a sustained income support for farmers is ensured, the demand for quick fix of their problems through loan waivers will continue.
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Source: The Indian Express

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